

# **SHOWCASE EUROPE**

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## **DEFENSE INDUSTRY IN AUSTRIA**

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02/13/2001

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### **I. SUMMARY**

Austria is a small alpine country located in Central Europe, bordered by Germany, the Czech Republic, the Slovak Republic, Hungary, Slovenia, Italy, Switzerland, and Liechtenstein. Austria has a population of about 8 million and an area of about 34,000 square miles. Its main trading partner is the European Union (EU), of which it has been a member since January 1, 1995. The EU accounted for 69 percent of imports and 62 percent of exports in 1999. Other important trading partners are central/eastern Europe, which accounted for 10 percent of imports and 15 percent of exports; the European Free Trade Association (EFTA), which accounted for 4 percent of imports and 7 percent of exports; and the U.S., which accounted for 5 percent of imports and 5 percent of exports in 1999.

The Austrian defense budget is 0.8 percent of GDP and is one of the lowest in Europe. Total defense expenditures for 1999 was AS 22.1 billion (approx. US\$ 1.7 billion). The estimated figure for 2000 is AS 22.5 billion (approx. US\$ 1.7 billion). Of this amount, about US\$ 1.6 billion are fixed costs.

### **II. MARKET HIGHLIGHTS AND SERVICES**

#### **Domestic Defense Industry**

The Austrian defense industry is very small. There are no official sales figures published, but estimates by local industry experts put annual sales at or about AS 1-2 billion (US\$ 78 –155 million). In recent years, domestic production has fallen as much as 10-15 percent annually in some defense oriented sectors.

Local industry experts believe that the industry is suffering from two major problems. First, the government has a strict policy of prohibiting the export of lethal and non-lethal defense-oriented goods to countries deemed to have committed human rights violations, or where conflicts take place or threaten to take place (the Kriegsmaterialgesetz). Under this law, the government requires that Austrian defense firms apply for export permission on a case-by-case basis. As a result, it is difficult to conclude a sale, as there is always the risk that a particular order, after months in limbo, will be denied. This law and its implementation virtually rule out profitable overseas sales for Austrian firms. The second problem is the relatively liberal procurement procedures of the Austrian military, which do not explicitly favor Austrian suppliers.

Major buyers of Austrian defense goods, in addition to the Austrian military, are other European military and law enforcement authorities, especially in Spain and Scandinavia. Some sales have also been made in the Asian region. Offsets are an important element of Austrian defense sales.

Areas of domestic production strength are armored vehicles, optical instruments, mines, mine detectors, and firearms. The defense industry is represented by an official industry and trade organization at the Federal Economic Chamber, which also produces a publication highlighting Austrian defense production.

Contact: Dr. Rudolf Lohberger  
Arbeitsgemeinschaft Sicherheit und Wirtschaft  
Fachverband Metallwarenindustrie  
Wiedner Hauptstrasse 63  
A-1045 Vienna, Austria  
Tel: 43-1-50105-3444  
Fax: 43-1-505- 0928  
e-mail: [asw@fmwi.at](mailto:asw@fmwi.at)

Traditional non-Austrian suppliers of defense equipment to the Austrian armed forces include the following U.S. firms: United Defense (York, PA), Bell Helicopter (Forth Worth, TX), General Dynamics Land Division (Detroit, MI), and Sikorsky, United Technologies (Stratford, CT).

### III. COMPETITIVE SITUATION

#### Defense Opportunities

Much of Austria's current weapons and equipment inventory is outdated and in need of replacement. Current funding, however, is not sufficient to replace everything that needs to be replaced, a situation that is not likely to change in the next several years, adding up to an inauspicious climate for defense expenditures.

Potential upgrade, replacement, or spare parts, maintenance, logistics, service opportunities include the following areas:

#### Helicopters

After the avalanche disaster in Tyrol, the Austrian government purchased nine helicopters from the U.S. firm Sikorsky. In addition, they will most likely purchase additional training, maintenance, logistics, and spare parts.

#### Fighter Aircraft

The Austrian military has developed plans to purchase as many as 30 fighters by 2003 to replace its aging Swedish Drakens. Options are the F16, F18, Gripen, Mirage and Eurofighter.

#### Communications Equipment

Austria plans for a gradual replacement of the current outmoded inventory of tactical radios in coming years and expansion from VHF into UHF frequencies.

### Radar Equipment

There is also interest in upgrading radar and command and control equipment.

### Defense Plan

The Austrian defense plan has changed significantly since the end of the Cold War. The threat of war between Warsaw Pact and NATO countries has been replaced with the threat of limited conflicts in the region and the potential for spillover of refugees. In response, the strategy of area defense is being altered to one of increased mobility and flexibility.

Border control has also gained in importance. Cross-border activity, including crime, has increased significantly since the strict travel restrictions of the communist era have fallen. In addition, Austria's eastern borders are now the external borders of the EU.

The end of the Cold War has also caused debate within Austria on the utility of its neutrality. Neutrality served as the basis of Austrian foreign policy throughout the years of east-west confrontation. However, Austria joined the European Union and has become an active member of the NATO Partnership for Peace program. The current political debate on Austrian security and what form it will eventually take, (Western European Union-- WEU, NATO, or something else) will continue for the next few years. Austria consistently contributes troops to non-peacekeeping and disaster relief activities

### Defense Procurement Process

Austria and the U.S. have signed a Memorandum of Understanding (MOU) concerning reciprocal defense procurement and armaments cooperation. According to the MOU, each country promises fair and equitable opportunity to bid on tenders for military supplies and R&D projects and equipment with a value of at least USD 25,000 or its equivalent. The agreement does not cover construction projects or materials. Tenders are made public in the quasi-official daily newspaper, "Wiener Zeitung", as well as in the Federal Economic Chamber publication "Internationale Wirtschaft". Included in these announcements are the subject matter of the contract, time limit on the submission of offers, and the addresses from which solicitation documents can be requested. Moreover, all EU tenders are regularly reported by the Commercial Service's EU office as part of the Trade Opportunities Program through the U.S. Department of Commerce's International Trade Administration.

There are a few practical problems affecting the competitiveness of U.S. firms in Austrian procurement competitions that should be noted. The Austrian government often requests offset arrangements be provided by the foreign firm as a part of the acquisition. There is also an unofficial tendency to favor Austrian/European suppliers.

For general information about defense procurement in Austria, the following agency should be contacted:

Austrian Ministry of Defense  
Mr. Edwin J. Wall, Head of Purchasing  
Franz-Josefs Kai 7-9  
A-1010 Vienna, Austria  
Tel: 43-1-52000-24700  
Fax: 43-1-52000-17028  
e-mail: einkauf@bmlv.gv.at

#### IV. MARKET ACCESS

##### Doing Business in Austria

Austrians are generally well disposed toward Americans. Following these general rules of Austrian etiquette will help maintain this positive feeling.

##### Direct Contact

Appointments should be made either by telephone or in writing well in advance, and prospective buyers or distributors should be given the option of determining the date and place.

Prompt response to letters and faxes is very important. Some local firms have reported negative experiences in trying to contact U.S. firms, having to go through too many organizational layers and sometimes never getting a response at all. The exporter who can communicate in German will be much appreciated, even though most Austrians speak English.

Austrians tend to place more emphasis on quality than price, especially for larger purchases. The quality of a product should therefore be its main selling point. Austrians are generally looking for long-term business relationships rather than immediate sales and profit. Hard selling is generally counterproductive.

##### Defense Business

The military procurement process is best approached through the Office of Defence Control (ODC) and the Defense Attache (DAO) at the U.S. Embassy. These offices are well informed about ongoing competitions, and are in an excellent position to help U.S. firms gain access to the appropriate decision-makers in the Austrian Ministry of Defense.

##### Trade Barriers

Austria is part of the EU, and thus adheres to the EU tariff and quota schedules. Labeling and marking requirements, standards, and licensing requirements must be addressed.

##### Labeling and Marking Requirements

Efforts are currently underway to harmonize EU labeling and marking requirements, along with quality and safety standards throughout the EU. Ultimately, as the EU standards harmonization process is completed, a CE mark will be required for most U.S.- manufactured imports. Until that time, however, the regulations are an often frustrating mix of national, EU, and international requirements. Products that are inadequately labeled are not turned away at the border. It is the responsibility of the person importing the product to make sure products are certified and marked before they come into circulation.

## Standards

The harmonization of standards requirements is being tackled by the EU on a product-by product basis. In each case, full implementation follows only after a transition period. This mix of national and EU standards requirements can be frustrating for the U.S. exporter.

Those products for which an EU directive has been issued are subject to EU standards requirements, which supersede any national requirements. Manufacture goods falling under an EU directive must be tested and certified, and carry the “CE” mark in those countries in which the transition period has expired. Those products for which no directive has been issued continue to be subject to national requirements.

Both EU requirements and standards for an Austrian quality or performance mark will in many cases require that a product be modified. Even if the product does not require modification, it will often require testing and certification before it can be marketed. Naturally, proof of prior certification by other authorities is taken into consideration and in many cases speeds up the certification procedure in Austria.

## Import/Export licensing (including transit imports) for military equipment (Kriegsmaterial):

Products which fall under the definition of Kriegsmaterial are listed in the Austrian Federal Law Gazette (Bundesgesetzblatt) 540 of 1977. This list comprises all goods which are specifically designed for a military purpose, lethal and non-lethal. In order to import or export such materials, a firm or a private person must have two licenses: a license to use or sell the equipment, and a license to import or export the particular shipment, granted on a case-by-case basis. The information that must be supplied for every request includes: a description of the goods, an exact number of units to be imported, where they are from, how they will be transported, and the prospective end use. The granting of import and export licenses is relatively strict. Applications can be requested from the Austrian Ministry of the Interior.

In addition to the permission to import or export a particular shipment of military equipment, it is also necessary to have a license for use or sale of such items, called a Gewerberechtliche Bewilligung. This license is granted to companies as well as private persons by the Ministry of Economics. These licenses are relatively difficult to get. In order to find out if a firm has such a license, it is necessary to contact the provincial Chambers of Commerce where the firm is located. There are nine such Chambers in Austria:

Wirtschaftskammer Wien

Stubenring 8-10  
A-1010 Vienna, Austria  
Tel: 43-1-51450-1221  
Fax: 43-1- 51450-1487  
e-mail: guenther.schoen@wkw.at  
Contact: Dr. Guenther Schoen, Director

Wirtschaftskammer Niederoesterreich  
Herrengasse 10  
A-1010 Vienna, Austria  
Tel: 43-1-53466-1336  
Fax: 43-1-53466-1568  
e-mail: wknoe.@noe.wk.or.at  
Contact: Dr. Franz Wiedersich, Director

Wirtschaftskammer Oeberoesterreich  
Hessenplatz 3, P.O.B. 253  
A-4010 Linz, Austria  
Tel: 43-732-7800-280  
Fax: 43-732-7800-525  
e-mail: direktion@wkoee.wk.or.at  
Contact: Mag. Alfred J. Waldbauer, Director

Wirtschaftskammer Salzburg  
Julius-Raab-Platz 1, P.O.B. 51  
A-5020 Salzburg, Austria  
Tel: 43-662-8888-351  
Fax: 43-662-8888-588  
e-mail: ihetz@sbg.wk.or.at11

Contact: Dr. Wolfgang Gmachi, Director

Wirtschaftskammer Tirol  
Meinhardstrasse 12-14, P.O.B. 570  
A-6021 Innsbruck, Austria  
Tel: 43-512-5310-1249  
Fax: 43-512-5310-1431  
e-mail: elisabeth.apolloner@wktirol.at  
Contact: Dr. Werner Plunger, Director

Wirtschaftskammer Vorarlberg  
Wichnergasse 9, P.O.B. 5  
A-8600 Feldkirch, Austria  
Tel: 43-5522-305-302  
Fax: 43-5522-305-116  
e-mail: stefko.helmar@wkv.at

Contact: Dr. Helmar Stefko, Director

Wirtschaftskammer Kaernten  
Bahnhofstrasse 42, P.O.B. 71  
A-9021 Klagenfurt, Austria  
Tel: 43-463-5868-250  
Fax: 43-463-5868-264  
e-mail: michael.stattmann@wkk.or.at  
Contact: Dir. Dr. Michael Stattmann

Wirtschaftskammer Steiermark  
Koerblergasse 111-113, P.O. B. 1038  
A-8010 Graz, Austria  
Tel: 43-316-601-680  
Fax: 43-316-601-595  
e-mail: benno.rupp@wkstmk.at  
Contact: Dr. Benno Rupp, Director

Wirtschaftskammer Burgenland  
Robert- Graf Platz 1  
A-7001 Eisenstadt, Austria  
Tel: 43-2682-695-201  
Fax: 43-2682-695-205  
e-mail: bubitsa@wkbgl.wk.or.at  
Contact: Mag. Anton Bubits

Once the license has been granted, it is valid until revoked. To apply, a form can be requested from:

Ministry of Economics and Labor  
Amtsgebaude 1  
Stubenring 1  
A-1010 Vienna, Austria  
Tel: 43-1-71100-5926  
Fax: 43-1- 714 2718  
e-mail: gerhardpoeltl@bmwa.gv.at  
Contact: Dr. Gerhard Poeltl

Export Control

The Kriegsmaterialgesetz (War Material Law)

It is against the law for Austrian firms to export lethal or non-lethal defense-oriented equipment (Kriegsmaterial) to countries in which there is a conflict or in which a conflict threatens to take place, or to countries that are deemed to have violated human rights. This law will be amended in the foreseeable future. Export permission must be requested on a case-by-case basis. There is no comprehensive list of countries to which the export of military equipment is forbidden. In order to

avoid the possibility that this regulation might be skirted through re-export from a third country, a responsible official in the country to which weapons are consigned must sign an end-user certificate. More detailed information about export control can be requested from:

Ministry of the Interior  
Herrengasse 7  
A-1010 Vienna, Austria  
Tel: 43-1-53126-2201  
Fax: 43-1-53126-2114  
e-mail: josef.gittel@bmi.gv.at  
Contact: Mr. Josef Gittel

Austria is a member of key multilateral non-proliferation arrangements to control the export of nuclear, biological and chemical goods, items and technologies, as well as dual-use items, particularly to countries under international sanctions. The transit, export, and re-export of such goods requires specific license from either the Austrian Ministry of Economics and Labor, Ministry of Interior and/or the Ministry of Defense.

#### Foreign Investment

The government of Austria generally welcomes all foreign direct investment, particularly those investments that create new jobs in high technology, research and development, capital intensive industries, improve productivity, replace imports, increase exports, and do not have a negative impact on the environment. Austria's basic policies toward foreign direct investment and investment-related payment transactions are not expected to change in coming years.

Financial preference and tax incentives within EU parameters are offered to firms undertaking projects in economically depressed areas and underdeveloped districts on Austria's eastern borders. Some of these geographic areas are also eligible for subsidies under EU programs. The only instances of local opposition to investment in the manufacturing sector have been due to environmental concerns.

#### Patents

Austrian patent and intellectual property laws are consistent with international standards. Austria is a member of the WIPO as well as the Paris Convention for the Protection of Industrial Property, the Universal Copyright Convention for the Cooperation Treaty, The Geneva Phonograms Convention, and the Brussels Satellite Convention. While there are no estimates as to the losses to U.S. firms caused by intellectual property infringements in Austria, they are believed to be negligible. Detailed information about Austrian patents can be obtained from:

Oesterreichisches Patentamt  
(Austrian Patent Office)  
Kohlmarkt 8  
A-1010 Vienna, Austria  
Tel: 43-1-53424-0



Fax: 43-1-53524-535  
e-mail: [patent@patent-bmwa.gv.at](mailto:patent@patent-bmwa.gv.at)

## V. END-USER ANALYSIS

### Government, Military and Security Forces Procurement:

Federal Ministry of Interior  
Abteilung II/21  
Am Hof 4  
A-1014 Vienna, Austria  
Contact: Mag. Robert Czaba  
Tel: 43/1/53126-4618  
Fax: 43/1/53126-4718  
e-mail: [robert.czaba@bmi.gv.at](mailto:robert.czaba@bmi.gv.at)

Federal Defense Ministry  
Aircraft Department  
Modecenterstrasse 22/1/5  
A-1030 Vienna, Austria  
Contact: Brig. Ing. Wolfgang Katter  
Tel: 43/1/70761-61000  
Fax: 43/1/79761-17680  
e-mail: n/a

### Key Contacts

#### U.S. Embassy

The Commercial Service  
American Embassy  
Boltzmanngasse 16  
A-1091 Vienna, Austria  
Tel: 43-1-31339-2296  
Fax: 43-1-3106917  
Contacts: Joe Kaesshaefer, Commercial Counselor  
Ingeborg Dobliger, Commercial Specialist

American Embassy  
Office of Defense Control (ODC)  
Boltzmanngasse 16  
A-1091 Vienna, Austria  
Tel: 43-1-31339-2345  
Fax: 43-1-310 6918  
Contact: Lt. Col. Dennis Young

United States Defense Attache Office  
American Embassy  
Boltzmanngasse 16  
A-1091 Vienna, Austria  
Tel: 43-1-31339-2277  
Fax: 43-1-3106918  
Contacts: Col. Bruce Boevers, Defense Attache  
Lt.Col. James Kefer, Air Attache

#### Austrian Aviation Defense Firms

Walter Schoen Grosshandel  
Boersegrasse 11  
A-1010 Vienna, Austria  
Tel: 43/1/533 95 39  
Fax: 43/1/535 65 72  
e-mail: [saer@netway.at](mailto:saer@netway.at)  
Contact: Dr. Walter Schoen  
(represents foreign defense firms in Austria)

Johann Apenzeller GmbH  
Heumarkt 11  
A-1030 Vienna, Austria  
Tel: 43/1/710 41 15  
Fax: 43/1/ 710 41 15-15  
e-mail: [office@apenzeller.com](mailto:office@apenzeller.com)  
Contact: Dr. Carl Julius Wagner  
(represents foreign defense firms in Austria)

Ing. Hans Drescher OHG  
Doblhofgasse 3/3  
A-1010 Vienna, Austria  
Tel: 43/1/402 43 16  
Fax: 43/1/402 43 16-23  
e-mail: [cathrin.drescher@aon.at](mailto:cathrin.drescher@aon.at)  
Contact: Ing. Hans Drescher  
(represents foreign defense firms in Austria)

Euro Data  
Eggenberger Allee 33  
A-8020 Graz, Austria  
Tel: 43/316/586 165  
Fax: 43/316/585 455  
e-mail: [eurodata@eurodata.at](mailto:eurodata@eurodata.at)  
Contact: Dr. Karl-Heinz Dernoscheg  
(represents security and aviation firms)

## MAJOR TRADE PUBLICATIONS:

OEMZ - Oesterreichische Militaerische Zeitung  
c/o Bundesministerium fuer Landesverteidigung  
Franz Josefs Kai 7-9  
A-1010 Vienna, Austria  
Tel: 43/1/5200-40901  
Fax: 43/1/5200-17108  
Contact: Col. Gerald Kerner

Frequency: 6 times annually  
Circulation: 4,000

TRUPPENDIENST  
c/o Bundesministerium fuer Landesverteidigung  
Franz Josefs Kai 7-9  
A-1010 Vienna, Austria  
Tel: 43/1/5200-23470  
Fax: 43/1/5200-17120  
Contact: Brig. Dr. Horst Mauder

Frequency: 6 times annually  
Circulation: 15,000

DER SOLDAT  
Seidengasse 11  
A-1070 Vienna, Austria  
Tel: 43/1/523 4713  
Fax: 43/1/522 5832  
Contact: Mr. Franz Achatz

Frequency: bimonthly  
Circulation: 40,000

## TRADE PROMOTION OPPORTUNITIES:

There is only a small trade show in Wiener Neustadt, Austria for aviation products focusing primarily on military equipment. Austrian firms attend the Paris Air Show, Farnborough International in the U.K., and ILA in Berlin.

### ISA Customer Satisfaction Survey

U.S. Department of Commerce  
International Trade Administration  
The Commercial Service

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The U.S. Department of Commerce would appreciate input from U.S. businesses that have used this CCG report in conducting export market research. Please review the privacy statement / disclaimers at the bottom of this Web site. Please take a few moments to complete the attached survey and fax it to 202/482-0973, mail it to QAS, Rm. 2002, U.S. Department of Commerce, Washington, D.C. 20230, or Email: Internet[Opfer@doc.gov].  
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\* \* \* About Our Service \* \* \*

1. Country covered by report: \_\_\_\_\_

Industry/title: \_\_\_\_\_

Commerce domestic office that assisted you (if applicable):

2. How did you find out about the ISA service?

- ☐ Direct mail
- ☐ Recommended by another firm
- ☐ Recommended by Commerce staff
- ☐ Trade/state/private newsletter
- ☐ Department of Commerce newsletter
- ☐ Other (specify): \_\_\_\_\_

3. Please indicate the extent to which your objectives were satisfied:

- 1-Very satisfied
- 2-Satisfied
- 3-Neither satisfied nor dissatisfied
- 4-Dissatisfied
- 5-Very dissatisfied
- 6-Not applicable

- ☐ Overall objectives
- ☐ Accuracy of information
- ☐ Completeness of information
- ☐ Clarity of information
- ☐ Relevance of information
- ☐ Follow-up by Commerce representative

4. In your opinion, did using the ISA service facilitate any of the following?

- ☐ Decided to enter or increase presence in market
- ☐ Developed an export marketing plan
- ☐ Added to knowledge of country/industry
- ☐ Corroborated market data from other sources
- ☐ Decided to bypass or reduce presence in market
- ☐ Other (specify): \_\_\_\_\_

5. How likely would you be to use the ISA service again?

- ☐ Definitely would
- ☐ Probably would
- ☐ Unsure
- ☐ Probably would not
- ☐ Definitely would not

6. Comments:

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\* \* \* About Your Firm \* \* \*

1. Number of employees: ☐ 1-99 ☐ 100-249 ☐ 250-499  
☐ 500-999 ☐ 1,000+

2. Location (abbreviation of your state only): \_\_\_\_\_

3. Business activity (check one):

☐ Manufacturing  
☐ Service  
☐ Agent, broker, manufacturer's representative  
☐ Export management or trading company  
☐ Other (specify): \_\_\_\_\_

4. Value of export shipments over the past 12 months:

☐ Less than \$10K  
☐ \$11K-\$100K  
☐ \$101K-\$500K  
☐ \$501K-\$999K  
☐ \$1M-\$5M  
☐ More than \$5M

May we call you about your experience with the ISA service?

Contact name: \_\_\_\_\_

Phone: \_\_\_\_\_

Fax number: \_\_\_\_\_

Email: \_\_\_\_\_

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Thank you--we value your input!  
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This report is authorized by law (15 U.S.C. 1512 et seq., 15 U.S.C. 171 et seq.). While you are not required to respond, your cooperation is needed to make the results of this evaluation comprehensive, accurate, and timely. Public reporting burden for this collection of information is estimated to average ten minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing the burden, to Reports Clearance Officer, International Trade Administration, Rm. 4001, U.S. Dept. of Commerce, Washington, D.C. 20230, and to the Office of Information and Regulatory Affairs, Office of Management and Budget, Paperwork Reduction Project (0625-0217), Washington, D.C. 20503.

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